

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sheridan Charter Township	County Newaygo
Audit Date 12/31/04	Opinion Date 2/4/05	Date Accountant Report Submitted to State: 5/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

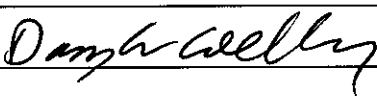
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Douglas Wohlberg, CPA			
Street Address PO Box 1013	City Byron Center	State MI	ZIP 49315
Accountant Signature 		Date 5/18/05	

Sheridan Charter Township

Newaygo County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2004

Sheridan Charter Township

Newaygo County, Michigan

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December 31, 2004

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DOUGLAS WOHLBERG

Certified Public Accountant

To the Township Board
Sheridan Charter Township
Newaygo County, Michigan

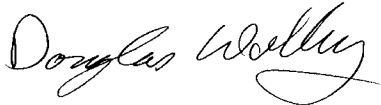
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sheridan Charter Township as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sheridan Charter Township management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sheridan Charter Township as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheridan Charter Township basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan
February 4, 2005

SHERIDAN CHARTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2004

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 1% from a year ago, increasing from \$1,282,127 to \$1,295,749. The Township experienced increases in General Fund Charges for Services and a significant decrease in the Department of Public Works. The Sewer Fund experienced increases in revenues as a result of an increase in fees and larger expenses because of an increase in depreciation expense.

In a condensed format, the table below shows a comparison of the net assets as of December 31, 2004 to the prior year:

	2004	2003
Current assets	\$ 273,375	\$ 329,237
Noncurrent assets	1,099,603	1,015,339
Total assets	1,372,978	1,344,576
Current liabilities	40,229	9,451
Long-term liabilities	37,000	53,000
Total liabilities	77,229	62,451
Net assets		
Invested in capital assets - net of debt	1,054,603	962,339
Unrestricted	241,146	319,786
Total net assets	\$ 1,295,749	\$ 1,282,125

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, decreased by \$78,640 for the governmental activities. This represents a decrease in net assets of approximately 25%. The current level of unrestricted net assets for our governmental activities stands at \$257,432, or about 99% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

SHERIDAN CHARTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2004

The following table shows the changes of the net assets as of December 31, 2004 to the prior year:

	2004	2003
<u>Program revenues</u>		
Charges for services	\$ 90,792	\$ 59,375
<u>General Revenue</u>		
Property tax	56,630	53,037
State shared revenue	162,041	177,984
Investment income	2,025	5,200
Rents and contracts	5,300	5,040
Miscellaneous	31,123	7,181
Total Revenues	347,911	307,817
<u>Program expenses</u>		
General government	104,997	101,939
Public safety	52,708	49,472
Public works	62,265	181,621
Community and economic development	23,440	29,366
Recreation and culture	16,804	4,934
Sewer	74,075	56,714
Total expenses	334,289	424,046
Change in net assets	\$ 13,622	\$ (116,229)

Governmental Activities

Expenses decreased by \$107,118 during the year. This resulted from significantly less road improvement from the prior year.

The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2004 were the General Fund and the Sewer Fund.

Capital Asset and Debt Administration

At the end of 2004, the Township had \$1,099,603 invested in a various assets including the Township hall and the sewer system.

SHERIDAN CHARTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2004

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005 will change from its 2004 budget because the Township expects to make significant upgrades to its sewer system. The Township intends to bond to obtain financing for the project.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor, Clerk or Treasurer. The Township's phone number is (231) 924-4566.

BASIC FINANCIAL STATEMENTS

Sheridan Charter Township

Newaygo County, Michigan

Statement of Net Assets

For the year ended December 31, 2004

	Governmental activities	Business type activities	Total
ASSETS			
Cash and cash equivalents	\$ 113,980	\$ 63,163	\$ 177,143
Receivables (net)	78,813	17,419	96,232
Interfund balances	80,000	(80,000)	-
Capital assets - net	159,361	940,242	1,099,603
TOTAL ASSETS	\$ 432,154	\$ 940,824	\$ 1,372,978
LIABILITIES			
Accounts payable	\$ 3,011	\$ 16,868	\$ 19,879
Accrued and other liabilities	12,350	-	12,350
Due within one year	-	8,000	8,000
Due in more than one year	-	37,000	37,000
TOTAL LIABILITIES	15,361	61,868	77,229
NET ASSETS			
Invested in capital assets	159,361	895,242	1,054,603
Unrestricted	257,432	(16,286)	241,146
TOTAL NET ASSETS	416,793	878,956	1,295,749
TOTAL LIABILITIES AND NET ASSETS	\$ 432,154	\$ 940,824	\$ 1,372,978

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Statement of Activities

For the year ended December 31, 2004

Functions/Programs	Expenses	Charges for services	Governmental activities
<u>PRIMARY GOVERNMENT EXPENSES</u>			
General government	\$ 104,997	\$ 39,257	\$ (65,740)
Public safety	52,708	-	(52,708)
Public works	62,265	-	(62,265)
Community and economic development	23,440	-	(23,440)
Recreation and culture	16,804	-	(16,804)
Total Governmental activities	260,214	39,257	(220,957)
<u>BUSINESS TYPE EXPENSES</u>			
Sewer	74,075	51,535	
<u>General Revenues</u>			
Property taxes			56,630
State-shared revenue			162,041
Unrestricted investment income			1,407
Rent and contracts			5,300
Miscellaneous			31,123
Total general revenues - special items and transfers			256,501
Change in net assets			35,544
Net assets at beginning of year			381,249
Net assets at end of year		\$	416,793

The Notes to the Financial Statements are an integral part of this statement.

Business-type activities		Total
\$	\$	(65,740)
		(52,708)
		(62,265)
		(23,440)
		(16,804)
		(220,957)
	(22,540)	(22,540)
-		56,630
-		162,041
618		2,025
-		5,300
-		31,123
618		257,119
	(21,922)	13,622
900,878		1,282,127
\$ 878,956	\$	1,295,749

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Governmental Funds

Balance Sheet

December 31, 2004

		General Fund
<u>ASSETS</u>		
Cash	\$	113,980
Taxes receivable		76,894
Due from other funds		80,000
Special assessments receivable		1,919
TOTAL ASSETS	\$	272,793
<u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES		
Accounts payable	\$	3,011
Customers deposits payable		3,750
Due to other units of government		8,600
TOTAL LIABILITIES		15,361
FUND BALANCES		
Fund balance		257,432
TOTAL LIABILITIES AND FUND BALANCES	\$	272,793

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended December 31, 2004

Total fund balances - total governmental funds	\$	257,432
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	242,978
Accumulated depreciation	(83,617)

Net capital assets	159,361
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at December 31, 2004 were:

Net assets of governmental activities	\$	416,793
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The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended December 31, 2004

	General Fund
<u>REVENUE</u>	
Property Taxes	\$ 79,503
State Grants	162,041
Licenses and Permits	3,995
Charges for Services	12,389
Interest and Rentals	6,707
Other Revenue	31,123
TOTAL REVENUE	295,758
<u>EXPENDITURES</u>	
General government	91,670
Public safety	52,708
Department of public works	62,265
Community and economic development	23,440
Recreation and culture	16,804
Other governmental functions	7,193
TOTAL EXPENDITURES	254,080
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	41,678
<u>OTHER FINANCING SOURCES (USES)</u>	
Prior period adjustment	(560)
NET CHANGE IN FUND BALANCES	41,118
FUND BALANCES, BEGINNING OF YEAR	216,314
FUND BALANCES, END OF YEAR	\$ 257,432

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended December 31, 2004

<hr/>		
Net change in fund balances - total governmental funds	\$	41,118
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(5,574)
Change in net assets of government activities	\$	35,544
<hr/>		

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Sewer Fund

Statement of Net Assets

December 31, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ 37,881	\$ 71,580
Accounts receivable	17,419	9,887
Total Current assets	55,300	81,467
Noncurrent assets		
Cash	25,282	27,458
Capital assets		
Improvements other than buildings	1,536,697	1,414,644
Less accumulated depreciation	(596,455)	(564,240)
Total Capital assets	940,242	850,404
TOTAL ASSETS	\$ 1,020,824	\$ 959,329
LIABILITIES		
Current liabilities		
Accounts payable	\$ 16,868	\$ 5,451
Due to other funds	80,000	-
Total Current liabilities	96,868	5,451
Noncurrent liabilities		
Bonds payable	45,000	53,000
TOTAL LIABILITIES	141,868	58,451
NET ASSETS		
Invested in capital assets, net of related debt	895,242	797,404
Unrestricted	(16,286)	103,474
TOTAL NET ASSETS	878,956	900,878
TOTAL LIABILITIES AND NET ASSETS	\$ 1,020,824	\$ 959,329

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Sewer Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended December 31, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Services rendered	\$ 51,535	\$ 38,774
<u>OPERATING EXPENSES</u>		
Salaries and wages	1,330	1,330
Payroll taxes	102	102
Supplies	71	318
Contractual services	24,120	22,960
Utilities	1,073	959
Repairs and maintenance	10,133	3,917
Depreciation	32,215	24,078
Other	2,381	-
<u>TOTAL OPERATING EXPENSES</u>	71,425	53,664
<u>OPERATING INCOME</u>	(19,890)	(14,890)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	618	2,350
Interest expense	(2,650)	(3,050)
<u>TOTAL NONOPERATING REVENUES (EXPENSES)</u>	(2,032)	(700)
<u>CHANGE IN NET ASSETS</u>	(21,922)	(15,590)
<u>NET ASSETS - BEGINNING OF YEAR</u>	900,878	916,468
<u>NET ASSETS - END OF YEAR</u>	\$ 878,956	\$ 900,878

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Sewer Fund

Statement of Cash Flows

For the year ended December 31, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 44,003	\$ 34,398
Payments to suppliers	(26,361)	(24,171)
Payments to employees	(1,432)	(1,432)
Due from other funds	80,000	-
Net cash provided (used) by operating activities	96,210	8,795
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of capital assets	(122,053)	-
Principal and interest paid on capital debt	(10,650)	(11,050)
Net cash provided (used) by capital and related financing activities	(132,703)	(11,050)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of investments	-	34,152
Interest and dividends	618	2,350
Net cash provided by investing activities	618	36,502
Net increase (decrease) in cash and cash equivalents	(35,875)	34,247
Balances - beginning of year	99,038	64,791
Balances - end of year	\$ 63,163	\$ 99,038
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ (19,890)	\$ (14,890)
Provided (used) by operating activities		
Depreciation	32,215	24,078
Change in net assets and liabilities		
Receivables - net	(7,532)	(4,375)
Accounts and other payables	11,417	3,982
Due to other funds	80,000	-
Net cash provided by operating activities	\$ 96,210	\$ 8,795

The Notes to the Financial Statements are an integral part of this statement.

Sheridan Charter Township

Newaygo County, Michigan

Fiduciary Funds

Statement of Net Assets

For the year ended December 31, 2004

<u>Agency Fund Type</u>		
<u>ASSETS</u>		
Cash and cash equivalents	\$	53,592
<u>LIABILITIES</u>		
Undistributed taxes	\$	53,592

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sheridan Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Sheridan Charter Township:

A. Reporting Entity

Sheridan Charter Township is governed by an elected seven-member Board. The accompanying financial statements present the activities of the Township. There are no component units to be included in these financial statements in accordance with accounting principles generally accepted in the United States.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Sheridan Charter Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Sheridan Charter Township as of the preceding December 31st.

Although Sheridan Charter Township's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is Sheridan Charter Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of Sheridan Charter Township totaled \$61,996,652, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	\$ 0.9154	\$ 56,752

These amounts are recognized in the General Fund financial statements as taxes receivable-current.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The Sewer Fund account for the activities of the sewage collection system.

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

Additionally, the government reports the following fund type:

Trust and agency funds to account for property tax collected on behalf of other units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-Term Obligations--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications--Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before September 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before November 1, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before December 31. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the general and debt service funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

The Township legally adopts budgets for the General Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Sheridan Charter Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	Budget appropriation	Actual Expenditure
General Fund	\$ -	\$ -
Parks and recreation	5,194	8,205
Drains	6,000	16,804

(Note: The above list of expenditures in excess of budgeted appropriations should be at the same level of detail as the governing body's adopted budget.)

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Sheridan Charter Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Sheridan Charter Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Sheridan Charter Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental activities	Business-Type activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 113,980	\$ 63,163	\$ 53,592	\$ 230,735

The bank balance of the Township's deposits is \$477,824, of which \$137,162 is covered by federal depository insurance and \$340,662 is uninsured and uncollateralized.

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sewer Fund	Total
Taxes receivable	\$ 56,745	\$ -	\$ 56,745
Tax administration fee	20,149	-	20,149
Special assessment	1,919	-	1,919
Accounts	-	17,419	17,419
Net Receivables	\$ 78,813	\$ 17,419	\$ 96,232

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
Assets not being depreciated	\$ 20,000	\$	\$	\$ 20,000
Capital assets being depreciated:				
Buildings	222,978			222,978
Subtotal	222,978			222,978
Accumulated depreciation:				
Buildings	78,043	5,574		83,617
Subtotal	78,043	5,574		83,617
Net capital assets being depreciated	144,935	(5,574)		139,361
Net capital assets	\$ 164,935	\$ (5,574)	\$	\$ 159,361

Business-Type Activities	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
Assets not being depreciated	\$	\$	\$	\$
Capital assets being depreciated:				
Mains	1,414,644	122,053		1,536,697
Subtotal	1,414,644	122,053		1,536,697
Accumulated depreciation:				
Mains	564,240	32,215		596,455
Subtotal	564,240	32,215		596,455
Net capital assets being depreciated	850,404	89,838		940,242
Net capital assets	\$ 850,404	\$ 89,838	\$	\$ 940,242

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$	5,574
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Business-Type activities:

Sewer	\$	32,215
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NOTE 6 - LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Sewer System Bonds	\$ 53,000	\$	\$ 8,000	\$ 45,000

Annual debt service requirements to maturity for the above obligations are as follows:

December 31,	Bonds Payable		Total
	Principal	Interest	
2006	\$ 8,000	\$ 2,050	\$ 10,050
2007	8,000	1,650	9,650
2008	9,000	1,225	10,225
2009	9,000	775	9,775
2010	9,000	325	9,325
2011	2,000	50	2,050
Totals	\$ 45,000	\$ 6,075	\$ 51,075

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 80,000

The General Fund advanced \$80,000 to the Sewer Fund to allow needed repairs to be made to the lift stations.

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 8 - SEGMENT INFORMATION

The Township operates a fund to provide sewage services. Summary financial information for the sewer department is presented below:

Condensed Statement of Net Assets

	Sewer Fund
Assets	
Current assets	\$ 55,300
Restricted assets	25,282
Capital assets	940,242
Total Assets	1,020,824
Liabilities	
Current liabilities	96,868
Noncurrent liabilities	45,000
Total Liabilities	141,868
Net Assets	
Invested in capital assets	895,242
Unrestricted	(16,286)
Total Net Assets	\$ 878,956

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund
Sewer Charges	\$ 51,535
Depreciation	32,215
Other operating expenses	39,210
Operating income	(19,890)
Nonoperating revenue (expense)	
Investment earnings	618
Interest expense	(2,650)
Total nonoperating revenue and expenses	(2,032)
Changes in net assets	(21,922)
Beginning net assets	900,878
Ending net assets	\$ 878,956

Condensed Statement of Cash Flows

	Sewer Fund
Net cash provided by (used in)	
Operating activities	\$ 96,210
Capital and related financing activities	(132,703)
Investing activities	618
Net increase (decrease) in cash	(35,875)
Beginning cash and cash equivalents	99,038
Ending cash and cash equivalents	\$ 63,163

Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 9 - RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Bond reserve	\$	25,282
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NOTE 10 - RISK MANAGEMENT

Sheridan Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Sheridan Charter Township has purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

The Township has no post-retirement benefit plans.

REQUIRED SUPPLEMENTAL INFORMATION

Sheridan Charter Township

Newaygo County, Michigan

General Fund

Statement of Net Assets

For the year ended December 31, 2004

	2004	2003
ASSETS		
Cash	\$ 113,980	\$ 149,610
Taxes receivable	76,894	68,785
Due from other funds	80,000	-
Special assessments receivable	1,919	1,919
TOTAL ASSETS	\$ 272,793	\$ 220,314
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 3,011	\$ -
Customers deposits payable	3,750	4,000
Due to other units of government	8,600	-
TOTAL LIABILITIES	15,361	4,000
FUND BALANCES		
Fund balance	257,432	216,314
TOTAL LIABILITIES AND FUND BALANCES	\$ 272,793	\$ 220,314

Sheridan Charter Township

Newaygo County, Michigan

General Fund

Statement of Activities

For the year ended December 31, 2004

	Original budget	Final budget	Actual	Variance with final budget	2003
REVENUES					
Property Taxes					
Current real property taxes	\$ 53,024	\$ 53,024	\$ 56,630	\$ 3,606	\$ 53,037
Property tax administration fee	19,733	19,733	22,873	3,140	15,887
Total Property Taxes	72,757	72,757	79,503	6,746	68,924
State Grants					
State revenue sharing	173,265	173,265	162,041	(11,224)	177,984
Licenses and Permits					
Non-business licenses and permits	4,000	4,000	3,995	(5)	4,714
Charges for Services					
Services rendered	-	1	1,699	1,698	-
Sales	400	400	10,690	10,290	-
Total Charges for Services	400	401	12,389	11,988	-
Interest and Rentals					
Interest and dividends	3,000	3,000	1,407	(1,593)	2,850
Rent	3,500	3,500	5,300	1,800	5,040
Total Interest and Rentals	6,500	6,500	6,707	207	7,890
Other Revenue					
Special assessments	1,819	1,819	1,916	97	1,919
Reimbursements	5,500	5,500	6,689	1,189	5,258
Other	-	-	22,518	22,518	4
Total Other Revenue	7,319	7,319	31,123	23,804	7,181
TOTAL REVENUES	264,241	264,242	295,758	31,516	266,693

Sheridan Charter Township

Newaygo County, Michigan

General Fund

Statement of Activities

For the year ended December 31, 2004

	Original budget	Final budget	Actual	Variance with final budget	2003
EXPENDITURES					
General government					
Township board	\$ 18,980	\$ 18,980	\$ 12,862	\$ 6,118	\$ 14,139
Supervisor	11,280	11,280	10,757	523	10,776
Clerk	14,770	14,770	13,626	1,144	13,652
Data processing	3,500	1,500	1,000	500	980
Board of review	1,930	1,080	1,052	28	898
Treasurer	16,192	19,092	16,195	2,897	15,270
Assessor	17,650	17,650	17,549	101	17,220
Elections	4,500	4,660	4,126	534	2,702
Buildings and grounds	21,400	17,600	13,953	3,647	13,961
Cemetery	600	600	550	50	550
Total General government	110,802	107,212	91,670	15,542	90,148
Public safety					
Fire department	55,000	55,000	52,708	2,292	49,472
Department of public works					
Drains	5,194	5,194	8,205	(3,011)	421
Highways, streets and bridges	65,400	60,400	50,744	9,656	176,716
Street lighting	3,050	3,050	2,397	653	2,333
Sanitation	2,500	1,000	919	81	2,151
Total Department of public works	76,144	69,644	62,265	7,379	181,621
Community and economic development					
Planning	41,856	36,856	23,440	13,416	29,366
Recreation and culture					
Parks and recreation	7,000	6,000	16,804	(10,804)	4,934
Other governmental functions					
Insurance	\$ 7,000	\$ 7,200	\$ 7,193	\$ 7	\$ 6,215

Sheridan Charter Township

Newaygo County, Michigan

General Fund

Statement of Activities

For the year ended December 31, 2004

	Original budget	Final budget	Actual	Variance with final budget	2003
TOTAL EXPENDITURES	297,802	281,912	254,080	27,832	361,756
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,561)	(17,670)	41,678	59,348	(95,063)
<u>OTHER FINANCING SOURCES (USES)</u>					
Prior period adjustment	-	-	(560)	(560)	-
NET CHANGE IN FUND BALANCES	(33,561)	(17,670)	41,118	58,788	(95,063)
Fund balance at beginning of year	216,314	216,314	216,314	-	311,377
Fund balance at end of year	\$ 182,753	\$ 198,644	\$ 257,432	\$ 58,788	\$ 216,314

LONG-TERM DEBT SCHEDULES

Sheridan Charter Township

Newaygo County, Michigan

Schedule of Bonded Debt

\$230,000 Sanitary Sewer Collection System Full Faith and Credit Revenue Bonds

December 31, 2004

Year ended December 31,	Interest Rate	Principal	Interest	Total
2006	5.00%	\$ 8,000	\$ 2,050	\$ 10,050
2007	5.00%	8,000	1,650	9,650
2008	5.00%	9,000	1,225	10,225
2009	5.00%	9,000	775	9,775
2010	5.00%	9,000	325	9,325
2011	5.00%	2,000	50	2,050
Totals		\$ 45,000	\$ 6,075	\$ 51,075

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Township Board
Sheridan Charter Township
Newaygo County, Michigan

We have audited the general purpose financial statements of Sheridan Charter Township, Newaygo County, Michigan for the year ended December 31, 2004, and have issued our report thereon dated February 4, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated February 4, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Sheridan Charter Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

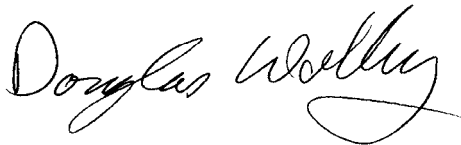
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Sheridan Charter Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sheridan Charter Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2004. We noted no transactions entered into by Sheridan Charter Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Sheridan Charter Township and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA
Byron Center, Michigan
February 4, 2005

MANAGEMENT COMMENTS LETTER

To the Township Board
Sheridan Charter Township
Newaygo County, Michigan

In planning and performing our audit of the financial statements of Sheridan Charter Township for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

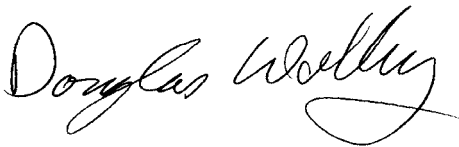
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Sheridan Charter Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Township Board, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2004 financial statements, and this report does not affect our report on those financial statements dated February 4, 2005. We have not considered the internal control since the date of our report.



Douglas Wohlberg CPA
Byron Center, Michigan
February 4, 2005

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board
Sheridan Charter Township
Newaygo County, Michigan

We have audited the general purpose financial statements of Sheridan Charter Township, Newaygo County, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated February 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

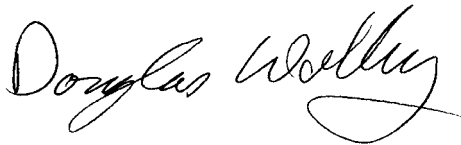
Compliance

As part of obtaining reasonable assurance about whether Sheridan Charter Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sheridan Charter Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA
Byron Center, Michigan
February 4, 2005